

**MS - 41**

**Management Programme**

**ASSIGNMENT**  
**For**  
**January 2023 and July 2023 Sessions**

**MS - 41: Working Capital Management**

**(Last date of submission for January 2023 session is 30<sup>th</sup> April, 2023  
and for July 2023 sessions is 31<sup>st</sup> October, 2023)**



**School of Management Studies**  
**INDIRA GANDHI NATIONAL OPEN UNIVERSITY**  
**MAIDAN GARHI, NEW DELHI – 110 068**

## ASSIGNMENT

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<b>Course Code</b>	<b>:</b>	<b>MS - 41</b>
<b>Course Title</b>	<b>:</b>	<b>Working Capital Management</b>
<b>Assignment Code</b>	<b>:</b>	<b>MS - 41/TMA/JAN/2023</b>
<b>Coverage</b>	<b>:</b>	<b>All Blocks</b>

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**Note: Attempt all the questions and submit this assignment to the coordinator of your study centre. Last date of submission for January 2023 session is 30<sup>th</sup> April, 2023 and for July 2023 session is 31<sup>st</sup> October, 2023.**

1. Discuss the various factors that you would take into consideration before assessing the working capital requirements.
2. You are required to prepare a Cash Budget of XYZ Ltd. for the months April, 2023 to July, 2023 (four months) from the details given below:

(a) Estimated sale during 2023 (Rs.)

Feb. 12,00,000	March 12,00,000	April 16,00,000	May 20,00,000	June 18,00,000	July 16,00,000	Aug. 14,00,000
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- b) On an average 20% of sales are cash sales. The credit sales are realized in the third month (January sales in March).
- c) Purchases amount to 60% of sales.
- d) Variable expenses (other than sales commission) constitute 10% of sales and there is a time lag of half a month in these payments.
- e) Commission on sales is paid at 5% of sales value and payment is made in the third month.
- f) Fixed expenses per month amount to Rs. 75,000 approximately.

g) Other items anticipated:

		Due
Interest payable on deposits	Rs. 1,60,000	(April, 2023)
Sales of old assets	Rs. 1,25,000	(May, 2023)
Payments of tax	Rs. 80,000	(June, 2023)
Purchase of fixed assets	Rs. 6,50,000	(July, 2023)

h) Opening cash balance Rs. 1,50,000

3. As a Finance Manager, which sources you would prefer to raise short term loans from the money market for meeting working capital needs of your business and why?

4. The Balance Sheet of Alpha Co. Ltd. is as given below.

**Balance Sheet of Alpha Co. Ltd. as on 31 st March 2023**

Assets	Rs. lakhs	Liabilities	Rs. lakhs
Fixed assets	1,000	Equity shares of Rs. 10 each	400
Current assets:		Retained earnings	400
Raw materials	200	11% Debentures	600
Work-in-progress	300	Public deposits	200
Finished goods	150	Trade Creditors	160
Debtors	200	Bills payable	200
Cash at bank	110      960		
Total	1,960	Total	1,960

You are required to calculate the amount of maximum permissible bank finance by all three methods for working capital as per Tandon Committee Norms. Assume the level of core current assets to be Rs. 60 lakhs. Calculate the current ratios as recommended by the committee, assuming that the bank has granted MPBF.

5. If you are finance manager of an MNC, what circumstances would you consider using Euro-currency markets? Also explain why you have selected these markets instead of borrowing from domestic markets.